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## **PUBLIC PRIVATE PARTNERSHIP AS A TOOL OF SUSTAINABLE LOCAL DEVELOPMENT**

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## **ПУБЛИЧНОЕ ЧАСТНОЕ ПАРТНЕРСТВО КАК ИНСТРУМЕНТ УСТОЙЧИВОГО МЕСТНОГО РАЗВИТИЯ**

**Abstract.** The study indicates wide possibilities of partnership between the public and private sectors for the amalgamated territorial communities in the terms of delegating them the responsibility for solving a large number of the local problems. The three basic stages of public-private partnership organizing at the local level: initiation, implementation, and control, have been singled out by the authors. Authors have determined the main components of the public-private partnerships performance evaluation for both public and private sectors. Special attention have been given to the justification of the main components of the public-private partnerships performance evaluation for the public sector among which public, social, environmental, fiscal and economic components had been highlighted. The article proposes measures for the formation of a number of institutional conditions and changes linked primarily with the establishment of legislative platform for the implementation of the public and private partnerships at the level of the amalgamated territorial communities.

**Keywords:** *amalgamated territorial communities, private sector, public sector, public-private partnership, sustainable development.*

**Introduction.** The administrative-territorial reform requires searching new factors of economic growth at the level of amalgamated territorial communities. In the face of limited financial capacity of local budget and absence any management innovations from the heads of newly formed local government, it became clear that local authorities are unable to provide traditional methods to increasing the efficiency of using existing local potential and developing local infrastructure. Under these conditions, it is necessary to focus on mechanisms that can restore the activity of business entities and provide public interest. One of such mechanism is the public-private partnership (PPP).

Mechanism of public-private partnership is oriented to the consolidation of resources (financial, material, intellectual, etc.) of the public and private sectors of national economy towards achieving socially significant results. Therefore, it is important for local authorities to justify the role of public-private partnership in ensuring sustainable development of amalgamated territorial communities, finding possible areas for its implementation at the local level, identifying problems that hinder its successful widely using as well as finding ways to solve them.

**Formulation of the problem.** Reforming the territorial organization of power on the principles of decentralization suggests formation the amalgamated territorial communities that can independently provide the appropriate level of service provision, particular in the sphere of education, culture, health care, social protection, housing and communal services etc. It will contribute the economic development of the region and of the state as a whole. The reform requires from local government, including the newly appointed amalgamated territorial communities' heads independent solution urgent current problems of socio-economic development on subordinated to them communities. First, it is housing and communal services, such as water and heat supply, garbage and solid waste management, maintenance of buildings and adjacent territories. Secondly, it is modernization of the social service system, which means management of schools and kindergartens, organization of primary care, providing maintenance and organization of cultural centers, clubs, libraries, stadiums, etc. The world experience shows that all these spheres are quite suitable for the application of the PPP mechanism [1].

At the same time, the competitive challenges of the XXI century require to meet the needs of all members of society on the basis of sustainable development. The concept of sustainable development (see Emas [2] and Klarin [3, p. 68]) provides an opportunity to ensure the integrity of amalgamated territorial community's management through combining economic, ecological and social aspects of society development that creates conditions under which the quality and safety of people's lives will not decrease from generation to generation, the environment will not get worse and will be socio-economic progress.

Reforming the territorial organization of power is a powerful tool of state policy for ensuring sustainable development of amalgamated territorial communities. Delegating power to lowest level activates the economic activity of local self-government bodies, motivates them to use local potential efficiently and rationally, to look for alternatives and additional opportunities for raising the level of territorial communities competitiveness for implementing the concept of sustainable development.

**General part.** Taking into account that local authorities are constrained financially and technically, PPP will be the mechanism for effective private sector participation in the provision of infrastructure and services at the level of amalgamated territorial communities.

Public-private partnerships is a tool for the provision of improved local public services on the principle of better value for money, appropriate risk transfer and management and taking advantage of private sector innovations.

PPP is based on a partnership approach, where the responsibility for the delivery of services is shared between the public and private sector both of which bring their complementary skills to the enterprise. PPPs bring together the public and private sectors in long-term contractual relationship to deliver high quality public services. The private sector then becomes the long-term service provider rather than the simple upfront asset builder.

It should be noted that many scientists (see [4-10]) have devoted their works to partnership of the public and private sectors in different spheres of national economy. Noteworthy that the mechanism of PPP is considered from different positions. All scientific papers mentioned above contain research results on implementation the PPP mechanism in the context of state regulation of the economy as well as the opportunities and barriers of implementing PPP in specific sectors and industries, primarily in the sector of housing and communal services. However, in our opinion, insufficient attention is paid to study the opportunities of implementation PPP mechanism at the local level.

It is erroneous opinion that PPP mechanism can be implemented only in the sphere of housing and communal services and there are no possibilities of its using in the sphere of education, medicine and so on. In particular, some scientists notes that opportunities for partnership between government and business or possible spheres of its using is much broader [11]. Other ones

also point a wide range of possible areas of PPP mechanism application. In addition, it is worth noting that their number is increasing recently [12].

At the same time, the PPP mechanism will not be suitable in every case. Scientists Ndandiko, Ibanda are united by the conclusion that PPP mechanism is suitable in such cases [13]:

- there is a major investment programme, requiring effective management of risks associated with construction and delivery;
- the private sector has the expertise to deliver and there is good reason to think that it will offer value for money;
- the structure of the service is appropriate, allowing the public sector to define its service needs as outputs/outcomes that can be adequately contracted for in a way that ensures effective, equitable and accountable delivery of public services in the long term;
- where risk allocation between the public and private sectors can be clearly made and enforced;
- the nature of the assets and services involved are capable of being costed on a long term, whole of life basis;
- the value of the project is sufficiently large to ensure that procurement costs are not disproportionate;
- the technology and other aspects are reasonably stable and not susceptible to short term fast paced changes;
- planning horizons are long term, with assets intended to be used over long periods.

Generally, benefits for local authorities that will be achieved from implementing PPP mechanism at the level of amalgamated territorial communities include saving resources, good management and using innovative solutions, sharing responsibilities with the private sector and sharing government facilities with third-party users. The main benefits of PPP are the financial benefits for local authorities (municipalities) as well as the socio-economic benefits for amalgamated territorial community.

Individual profitable PPP projects could be a source of new financial resources through the profit sharing between the private operator (partner) and authorities of amalgamated territorial communities. Thus, the project can be implemented without creating a burden for the budget, while released budget resources can be directed to other goals such as health care, education and other social projects.

Accelerated project implementation will allow the community to get a faster effect from implementation of new services or improving the quality of existing ones and it will contribute to increasing private investment and economic development of amalgamated territorial communities.

Finally, PPP changes the role of local authorities from the body that owns and exploits into an authority that administers and controls. This allows the local governments to improve the quality of communal services, while reducing the expenditures of local budget, including the cost of human resources to provide these services.

Restriction on PPP mechanism implementations that are being formed by scientist reflected the practice of concluding the relevant agreements.

Ukraine has involved the private sector in infrastructure projects since 1998. It has PPP experience in

the energy, transport, water and sanitation sectors. Total investment committed to PPPs since 1990 are \$2,121 (US\$ million). Total investment in active PPPs are \$2,003 (US\$ million).

The largest PPP projects under construction or operation in Ukraine are presented in the table 1.

Table 1

**Largest PPP projects in Ukraine**

Project Name	Sector	Financial Closure Year	Investments (US\$ million)
DTEK Botievo Wind Farm	Electricity	2012	\$458.00
Active Perovo Solar Plant	Electricity	2011	\$411.80
Active Ohotnikovo Solar Plant	Electricity	2011	\$200.00
Activ Dunayskaya Solar Plant	Electricity	2012	\$168.00
Activ Starokozache Solar Plant	Electricity	2012	\$167.50
Odessa Terminal Holdco Limited	Ports	2009	\$130.00
Activ Mityaev Solar Plant	Electricity	2012	\$123.00
Novoazovskiy Wind Farm Phase I & II	Electricity	2011	\$118.40
Luganskvoda	Water and sewerage	2008	\$102.00
Odessa Water Utility	Water and sewerage	2003	\$100.00

Source: [14]

It should be noted that a system for registering PPP projects in Ukraine is fragmented. The State Property Fund hold registers of PPP projects and Concession projects, respectively. However, the registration of PPPs at the local government level at the State Property Fund is not mandatory. In addition, Ministry of Regional Development, Building and Housing and Communal Services and the Ministry of Energy and Coal Industry maintain registers of PPP projects in their sectors.

According to official data, there are 186 projects implemented in Ukraine on the basis of PPP on the January 1, 2017 and its number has been increased to the

level of 196 projects on the January 1, 2018 [15]. In 2017 the most PPP projects implemented in Ukraine are for processing waste - 112 projects (60%). In second place was collection, purification and distribution of water - 37 projects (20%). In third place - the projects of construction of motorways, roads, railways, runways at airfields, bridges, road overpasses, tunnels and subways, sea and river ports and their infrastructure (9%). Least implemented are projects in the service sector, since tourism, leisure, recreation, culture and sport account for only 1% of the total number of PPP projects (see Fig. 1).

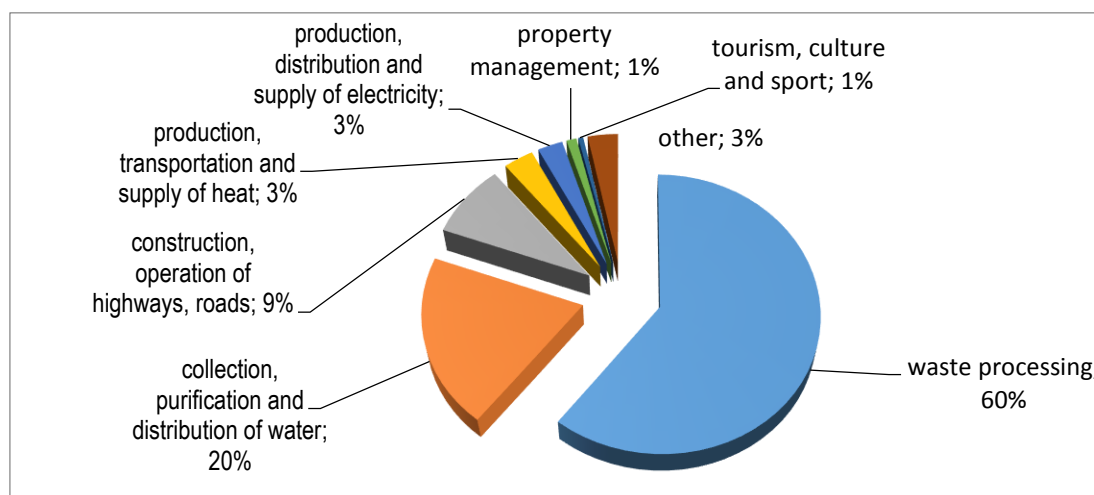


Figure 1: Distribution of projects implemented in Ukraine on the basis of PPP by field of use (Source: compiled on the materials [15])

At the same time, today there is a positive trend drafting PPP project in accordance with the procedure provided by the Law of Ukraine "On Public-Private Partnership" which defines a new tender procedure. Thus, priority areas for the implementation of PPPs, on

the one hand, is reconstruction the object of communal property - systems of collection and utilization of biogas at the Landfill of Solid household waste, on the other one, is construction of multi-apartment house.

In 2018 the largest number of PPP projects implemented in the sphere of collection, purification and distribution of water. There are 31 projects in this sphere and it is 47% of total number of projects. At the second place is production, transportation and supply of heat. There are 8 projects in this sphere and it is 12.1% of total number of projects. At the third place is processing waste (7 projects; 10.6%). The smallest number of projects is in the service sector – tourism, leisure, recreation, culture – only 1% of the total number of PPP projects.

The largest number of PPP projects in the world in the first half of 2016 accounted for the energy sector (76), with the second biggest being transport sector (15), and third being water and wastewater (12) [16, p. 87]. Energy had the newest projects and largest invest-

ment – 72 percent of the global total. Transport captured 25 percent, while water and sanitation had only 1 percent.

Leading position of the energy sector is due to its priority in sustainable development policy by 2020. All 76 energy projects during first half of 2016 were in the electricity segment, with 19,7 billion dollars in investment commitments. Electricity generation projects accounted for 18,3 billion dollars in investments, while distribution and transmission projects accounted for 450 million dollars and 983 million dollars in investments, respectively. Approximately 9,3 billion dollars of investments in electricity generation went to 57 renewable energy projects, 30 of which were solar.

Distribution of PPP projects in Europe is different from Ukraine. In 2014 sectoral breakdown by number of projects is shown in Fig.2.

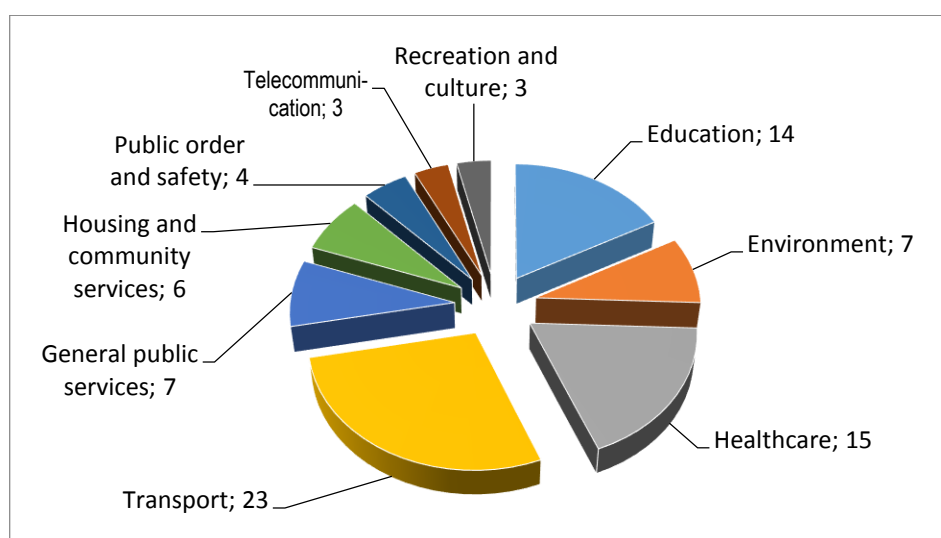


Figure 2: European PPP market by sectors in 2014  
(Source: compiled on the materials [17])

It should be noted that the structure of PPP projects in Europe something has changed recent years, but the leading place remains for transport and education. The largest number of PPP projects in the world in 2018 was in the education sector. At the second place was transport sector, telecommunications sector and environment sector. At the same time transport sector remained the largest in value terms with over EUR 7 billion worth of transactions (EUR 7.6 billion in 2017). The telecommunications sector was the second most active one in terms of value with an aggregate value of EUR 3 billion (EUR 2.1 billion in 2017). In the education sector, the number of projects that reached financial close decreased from ten to nine and the aggregate

value similarly decreased to EUR 952 million (EUR 958 million in 2017) [17].

The United Kingdom was the largest PPP market in Europe, both in terms of value, with a total of EUR 3.8 billion in 2016, and in terms of number of projects, with 28 deals closed. France was the second largest PPP market both in terms of value, with a total of EUR 2.4 billion, and in terms of number of projects, with 16 deals closed.

Regarding PPP forms, it should be noted that 62% of the projects implemented in Ukraine in the form of public-private partnership are concession contracts. Therefore, in 2018 in Ukraine there were 41 concession contracts and 24 common activities contracts. Their distribution by state regions is shown in Table 2.

Table 2

Distribution of PPP projects by forms and regions of Ukraine					
№	Regions	PPP forms			Total number of PPP projects
		Concession	Common ac- tivities	Contract of PPP	
1	Vinnitsa	0	0	0	0
2	Volinsk	0	0	0	0
3	Dnepropetrovsk	0	0	0	0
4	Donetsk	2	2	0	4
5	Zhitomir	0	1	0	1
6	Zakarpatsk	4	5	0	9
7	Zaporozhe	4	0	0	6
8	Ivano-Frankovsk	1	0	0	1
9	Kiev	10	0	0	10
10	Kirovograd	0	1	0	1
11	Lugansk	1	0	0	1
12	Lvov	3	1	0	4
13	Mykolaiv	14	1	0	15
14	Odessa	0	6	0	6
15	Poltava	0	5	0	5
16	Rovno	0	0	0	0
17	Sumy	0	0	0	0
18	Ternopol	0	0	0	0
19	Kharkov	1	0	0	1
20	Kherson	1	1	0	2
21	Khmelnitsky	0	0	1	1
22	Cherkassy	0	0	0	0
23	Chernovtsy	0	0	0	0
24	Chernigov	0	1	0	1
Together		41	24	1	66

Source: [15]

Therefore, in Ukraine there are a number of regions in which PPP projects are not yet implemented. The largest number of PPP projects is implemented in Mykolaiv region.

Both partnership forms and their modifications are being developed. For example, in the past certain forms of partnership including concession applied only to the construction of motorways and district heat supply to the population, but today they are widely using in such spheres as education and some types of public transport. That is, projects implemented through PPP mechanisms extend from infrastructure to service industry.

In other words, in our opinion, PPP mechanism forms the basis for the joint responsibility of the state, community and business for the developing those sectors that are most important to the local economy. For example, among them the main are: infrastructure (construction of roads, railways, underground, schools and hospitals, stadiums, construction of new and reconstruction of worn urban transport systems and housing objects); humanitarian (improving the quality of education and health); environmental protection (implementation of alternative technologies and renewable energy); agricultural sector (construction, operation and management of irrigation projects, construction and operation of grain terminals, agricultural recycling) and others.

A partnership involves two or more parties committed to a common goal, sharing risk and yielding a reward to all the partners. In PPP mechanism there is cooperation between the public and private sectors in one or more areas of the design, development, construction, operation, ownership or financing of infrastructure assets, or in the provision of services.

Ukraine has an experience in implementing PPP projects but most of them are at city level. Therefore, the most expensive pilot project in Ukraine is underground parking in Lvov. Approximate cost of the project is 7-15 million Euro, so it is not surprising that such a sum of the city budget is not feasible. The main point is that private partner determines the quality of management by knowing how and who will manage this process (tariff, advertising, etc.). In the town of Malin (Zhytomyr region) PPP project was implemented in the sphere of transporting heat boilers from the consumption of imported gas to local waste. In the city of Kyiv, such PPP project was implemented as Dolobetsky Island – the city of sports. Investor cleans up the island, create a sports infrastructure (temporary structures), provide security, streamline, and maintain sanitary and hygiene standards. In turn, the city authorities renovated the Venetian bridge, which connects the city and the island [18].

Another important aspect that should be taken into account when talking about the PPP abilities for ensuring sustainable development of amalgamated territorial

communities is the issue of legislative regulation of relations between the public and private sectors. In this context, it should be noted that the interaction of public and private operators in the initiation of partnership, implementation of joint projects, and monitoring and control of their course should be clearly regulated by law. This will ensure the success and effectiveness of partnership.

In Ukraine, the organizational and legal principles of interaction between the public and private partners are set in the main legislative act of the state - the Law of Ukraine "On Public-Private Partnership". The Law indicates the main features of PPP in Ukraine and identifies its possible areas of application. It is important that the Law creates a legal framework for the implementation of PPP projects in various legal forms not limited to concession or lease agreements. Overall, in our opinion, adoption of the Law is a significant step towards a more effective use of regional infrastructure and attraction of additional investment. However, it is not without drawbacks, including the absence of clearly defined mechanisms for practical implementation of PPP projects (e.g. project implementation stages, requirements for the project design, the list of issues that require mandatory coordination at the stage of the project agreement, and those that may arise during its implementation).

It should also be noted that in addition to the Law there is a series of adopted Resolutions and Decisions of the Cabinet of Ministers of Ukraine that govern the PPP implementation organization, identification of partnership risks, their assessment and determination of forms of management, analysis of the efficiency of the PPP.

It is also important to note that a system for registering PPP projects in Ukraine is fragmented. The State Property Fund hold registers of PPP projects and Concession projects, respectively. However, the registration of PPPs at the local government level at the State Property Fund is not mandatory. In addition, Ministry of Regional Development, Building and Housing and Communal Services and the Ministry of Energy and Coal Industry maintain registers of PPP projects in their sectors.

Therefore, Ukrainian PPP legislation contains many controversial issues related to: communication problems between the partners, legislative and regulatory issues, funding problems. Respectively, legislative acts are also far from ideal and require significant improvements.

In view of certain imperfection of legislation and limited ability of amalgamated territorial communities' authorities to co-finance PPP projects, their successful implementation requires compliance with a number of requirements.

In particular, potential projects must comply with the following criteria.

Firstly, the project should have a positive socio-economic effect for the amalgamated territorial community. It means that it should reduce fiscal impact on

the local budget as well as may involve insignificant co-financing from the local authority.

Second, the project must have a commercial component and be attractive to potential investors. The project must have acceptable financial and economic efficiency (IRR, NPV); a private investor should be prepared to develop a feasibility study for the project; the project should be characterized by a steady demand for goods / work / services provided by a private partner; the absence of significant barriers to the entry of a private partner on the market (the lack of the need to obtain a large number of licenses, permits, etc.).

Thirdly, the source of the return made by the private partner of the investment should be the payment from the consumers / users of the services (an example can be a park, the maintenance of which is engaged by a private partner, profit from visitors or small entrepreneurs renting places for shopping and entertainment establishments). A private partner can receive a fee from the local police, but in this case, the police should be a consumer of services (payment for heating schools, hospitals, kindergartens, etc.).

It is also important to note that the project should not involve large-scale construction work, which will require substantial investments in adjacent infrastructure (electricity supply lines, roads, other communications), and the local authority should be the manager or owner of the land on which the project is planned to be implemented.

The process of PPP organization at the level of amalgamated territorial communities in general can be presented as three stages (Fig. 3). At the same time, their content and special requirements are defined by the public partner depending on the scope and possible forms of PPP, or by public and private partners together.

In the first stage, opportunities for partnership of public and private sectors are evaluated taking into account the analysis of the current socio-economic development of amalgamated territorial community and prospects of its sustainable development. The problems of sustainable development of amalgamated territorial community identified during the analysis indicate the areas where the PPP mechanism should be applied due to the resource constraints of local budgets. The grounds for the decision are the poor state of infrastructure; volume, structure, and quality of the unmet demand for the services analyzed; the need for new infrastructure, etc. Besides, when deciding on the need for involvement of the private operator to solve the problems of sustainable development of amalgamated territorial communities, one should assess not only the need for such projects, but also determine the conditions of implementation of PPP projects, analyze the obstacles for involving the private operator to provide public services, and determine the financial model of the partnership, possible risks, and expectations from the project.

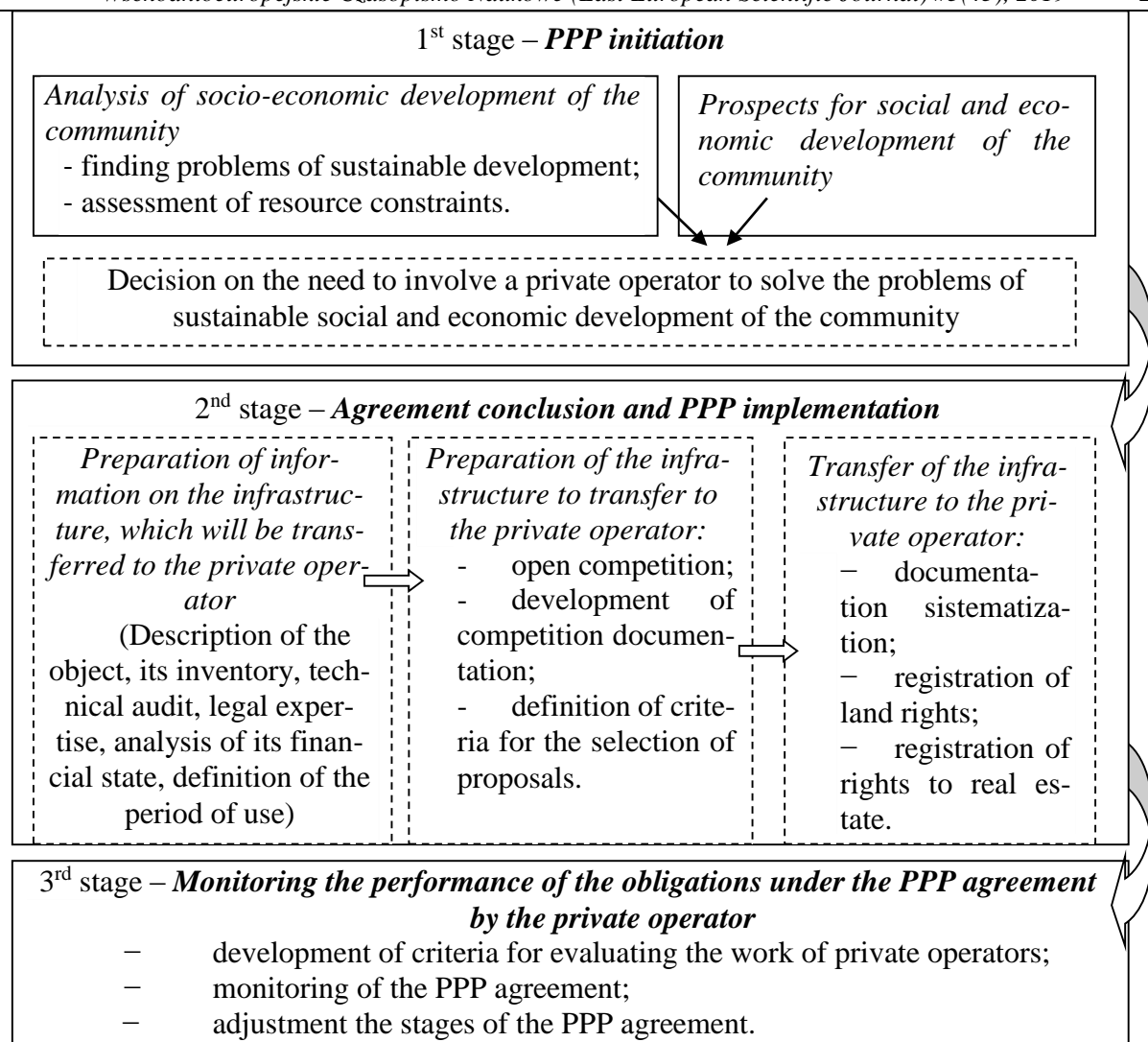


Figure 3: Process of PPP organization at the level of amalgamated territorial communities  
Source: authors

The second stage deals with the procedure of the PPP agreement conclusion. It, in turn, involves three consecutive steps: competition preparation, competitive selection of the private operator and documentation arrangement. Before the competition on the PPP agreement, it is necessary to prepare detailed information on the infrastructure, which will be transferred to the private operator. The objects of analysis are the following: the creation of goods and provision of services, finance, production facilities, personnel and management. After the analysis, the actual state is compared with the previous periods and the plan. The competition procedure for selecting proposals (preparation, organization and the competition) and choosing the winner - the future private partner in the implementation of PPP is regulated by the relevant Regulation of the Cabinet of Ministers of Ukraine, which approved the Procedure for Competition to Determine the Private Partner for Implementation of Public-Private Partnership on Objects of State and Municipal Property and Those Owned by the ARC." After determining the winners, the documentation that accompanies the PPP agreement is arranged, the conditions in which citizens or legal entities will be given land under the agreement are determined,

as well as the possibility of obtaining them without bidding (competitions, auctions).

The third stage provides for the procedure for monitoring the performance of the obligations under the PPP agreement by the private partner. In our opinion, the procedure for monitoring the PPP agreement performance with the local authorities should include the following already at the conclusion stage: a plan of control activities; agreement of the activities plan with the private operator managing the infrastructure; defining the rights and obligations of the supervisory authority; at the performance stage: summarizing the results of monitoring the activities; agreement of the activities to eliminate violations (if such were found) with the private partner.

The public sector, in our opinion, should play a key role in initiating PPP projects (represented by the local government as collective representatives of amalgamated territorial community interests), as the authorities, on the one hand, are obliged to ensure balanced socio-economic development of the local community, efficient use of available resources, and, on the other hand, as rightly noted by scientists, they "are able to correctly formalize the "road map" of implementation

of PPP projects” based on factors such as the available potential, regional resource and legislative restrictions, sectoral priorities, territorial differentiation in terms of development, territorial location of production facilities and others.

To ensure the sustainable development of amalgamated territorial communities, we believe that PPP projects should be initiated during the strategic, territorial and sectoral planning. These projects need to be part of the long-term plan and program design for social and economic development of amalgamated territorial communities, regions, the state, and industry strategies. Development of PPP projects at this stage will not only significantly improve the efficiency of the plans and programs of socio-economic development of local systems, but will also help regulate the interaction between local governments and private companies. However, for this it is necessary to improve the institutional conditions and implement the appropriate procedures and tools of PPP project management into the activities of local governments. Therefore, when involving private partners to the management of state and municipal property it is necessary to use project management methodology.

Since the state should play a key role in initiating PPP projects for local governments, it has primary responsibility in this regard. Thus, in our view, special attention should be paid to the following aspects: assessing alternatives (with the project and without it); transparent competitive selection of the private partner; public discussion of the project and its future results (including for the purpose of creating favorable conditions for the project from the local community); the project’s correspondence to the master plan for the city and other local and regional programs; providing access to services for socially disadvantaged groups; provision of social protection, including through regulation of the tariffs for services and their reviewing conditions; provision of defined quality parameters of services; compliance with laws and regulations, industry standards; the roles of the parties, division of functions and responsibilities; equitable distribution of the risks associated with the project; determining the conditions of guarantees to the private operator; the ability to regard for the possible changes in the environment in the project within the partnership and others. These aspects should always be considered by local authorities.

For better understanding of the consequences of implementation of PPP projects from the point of view of the public (community) interest and entrepreneurs, evaluation of the public and private sectors partnership project is important. Generally accepted efficiency indicators of a project are the following: net present value, internal rate of return, payback period. However, these figures are more important to investors because they allow determining what their income will be throughout the duration of the project and in what period of time their expenses will be covered. However, we would like to note that none of the above indicator alone are sufficient for its approval by local authorities.

For local authorities representing amalgamated territorial communities, evaluation results for public,

social, environmental, fiscal and economic efficiency of the project are important.

Evaluation of social efficiency allows answering the following question: how useful is the implementation of this project for amalgamated territorial community and region in general? In other words, this component determines the overall benefits that the project brings to the society. For example, creating conditions for sustainable and effective development of life support systems of cities, villages, and towns; modernization and development of utility systems; improving the quality and reliability of services provided to consumers, installation of additional hardware and software for remote monitoring and control of industrial systems, etc.

Evaluation of social efficiency of the project involves determining the effect on the socio-demographic processes, living standards, labour force status, quality of labour potential and more. Equally important is to achieve a particular environmental effect.

The environmental component of the evaluation should determine the level of the project effect on the environment, the expected environmental and related social, economic and other consequences of the project. The evaluation should result in a conclusion about whether the project is environmentally acceptable and provides a stable environment. Extremely important is the evaluation of the project budget. This evaluation should be built based on a comparison of budget receipts and payments.

Evaluation of the economic efficiency of the project should be built on determining the impact of the results of the project on the level of economic development, investment activity, innovation, trends in science and technology, without which no progress and further existence of the economy are possible.

**Conclusion.** It can be noted that the attitude to the mechanism of PPP in Ukraine is ambiguous. Some scholars see this mechanism as the way for radical positive changes in the economy of the regions and the country as a whole, while others believe that the mechanism could lead to another budget spending and public-private partnerships may be another redistribution of public enterprises, and this, in turn, would lead to a sharp increase in the cost of social services, etc. Entrepreneurs are afraid of strengthening of the role of the state and its intrusion into the sphere of freedom of competition and reallocation of resources. In this regard, they express opinions that the state having the capital and mastering the new technology of the private sector and using administrative resources can cause pressure in the mechanism of interaction.

On the one hand, the implementation of PPP mechanisms in practice may be associated with certain problems. The following should be noted: the loss of control over the implementation of the project (the possibility of losing control by the local authorities should be excluded at the stage of conclusion before the project implementation); reducing service quality (poorly structured agreements can lead to inefficient provision of services by operators, as they are primarily interested in profit, and can try to achieve this goal at any price);



increased budget spending (at conclusion it is important to analyze the objective capabilities of the budget, if this is not done it could lead to higher budget costs in the provision of services to all consumers).

On the other hand, despite the existence of some problems, it should be stated that there is a need for such partnership, as these phenomena are possible only if the PPP projects are poorly structured and many significant points are not reflected in the agreements with the private sector. To avoid these negatives, representatives of local authorities should be highly qualified, there should be relevant laws and clearly defined mechanisms for their implementation. Under such conditions one can expect the positive consequences of PPP.

Today, there is a lack of methodological base observed. In addition, successfully solving these problems requires quite tough methodological rules of how to do it. Moreover, such a policy should be developed as a result of dialogue between the government and businesses, in finding mutually agreed positions. This is the meaning of PPP: governments set priorities, and in this case, it is important that they are accurately and clearly defined and are best suited to take into account the interests of the public, and business in this case has to fulfil the governmental orders in good faith.

We believe that the interests of the amalgamated territorial community in such a partnership should be a priority, and local authorities must defend them using the above-mentioned features. However, today they are not used in full.

A clear indication of this is the fact that the involvement of the private sector for a long time took place in the conditions when the state did nothing to determine the qualification and financial requirements for those operators that are in the appropriate infrastructure sector. After all, if one or another private operator is allowed in the relevant market, it must manage infrastructure professionally and efficiently and understand the financial, economic, technical and environmental aspects of the relevant facilities. Now some steps are made in this direction, but they are clearly insufficient. Moreover, businesspersons are not guilty that such work is not performed. Nevertheless, to refuse the PPP in general when it is so well established in the world must not be done either.

To ensure that public-private partnership could be implemented at the level of amalgamated territorial communities of our country, it is necessary to form a number of institutional conditions and changes associated primarily with the establishment of legislative platform for the implementation of such projects. Among them, the following are worth noting:

- 1) detailing and updating the requirements to be met by operators wishing to enter the relevant industry, in particular, regarding the evidence of their financial security and their ability to operate;
- 2) forms of project implementation of the plans;
- 3) justification of the choice of form of private sector involvement by local authorities;
- 4) implementation of effective monitoring by local authorities regarding the performance of current

functions and investment commitments by private operators;

5) development of requirements for the reporting system of the private operator;

6) involvement of the public in the decisions regarding the transfer of infrastructure to the private sector and identifying the frequency and types of social control;

7) development and implementation of the mechanism for determining responsibility of representatives of the private sector for their actions or inaction causing property damage to amalgamated territorial communities and vice versa, definition of the mechanism for return of investment, etc., acceptable to both parties.

Properly constructed and legally regulated system of partnership between the state and private operators will allow to attract additional investment resources, better share risks, responsibility and reward between the partners. In turn, this will encourage the private investors to join the process of activating local socio-economic development on the terms of mutually beneficial cooperation and social partnership.

Subject to maximal effectiveness of the partnership, investments will be given that provide social and economic development of amalgamated territorial community and innovation in the long term.

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## DEVELOPMENT OF INNOVATIVE SOCIETY

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## РОЗВИТОК ІННОВАЦІЙНОГО СУСПІЛЬСТВА

**Summary.** In the article the essence of the concept "technological way" is disclosed. It was noted that technological innovation leads to the result of scientific and technological progress, which leads to an increase in labor productivity, modernization of means of production and transformation of the current technological structure. Technological structures formed as a result of the development of society are considered. It is noted that the delay in preparing for the transition to a new technology leads to the country lagging behind the leaders of world development, and the premature stimulation of the transition can lead to heavy losses in the economy, social disasters, lower living standards and economic security.

**Анотація.** В статті розкрито сутність поняття «технологічний уклад». Зауважено, що результатом науково-технічного прогресу виступають технологічні інновації, які призводять до зростання продуктивності праці, модернізації засобів виробництва і трансформації чинного технологічного укладу. Розглянуто технологічні уклади, що сформувались в результаті розвитку суспільства. Відзначено, що запізнювання в підготовці переходу на новий технологічний уклад веде до відставання країни від лідерів світового розвитку, а передчасне стимулювання переходу може привести до важких втрат в економіці, соціальних катастроф, зниження рівня життя і економічної безпеки.

**Key words:** *scientific and technological progress, technological style, innovation, innovative economy, innovation culture, innovative society.*

**Ключові слова:** *науково-технічний прогрес, технологічний уклад, інновація, інноваційна економіка, інноваційна культура, інноваційне суспільство.*